

Message Text

UNCLASSIFIED

PAGE 01 DUSSEL 00088 01 OF 02 131719Z
ACTION EUR-12

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R 131615Z JAN 78
FM AMCONSUL DUSSELDORF
TO SECSTATE WASHDC 3387
INFO AMEMBASSY BONN
AMCONSUL BREMEN
AMCONSUL FRANKFURT
AMCONSUL HAMBURG
AMCONSUL MUNICH
AMCONSUL STUTTGART
USAREUR
USAFE
USCINCEUR

UNCLAS SECTION 1 OF 2 DUSSELDORF 0088

FOR POLADS

E.O. 11652: NA
TAGS: PINT, BBAK, EFIN, GW
SUBJ: BANKER'S RESIGNATION SHAKES NRW GOVERNMENT

1. SUMMARY: THE RESIGNATION OF LUDWIG POUILLAIN, GENERAL
MANAGER OF THE WESTDEUTSCHE LANDESBANK, BECAUSE OF
HIS INVOLVEMENT IN AN INVESTIGATION OF BRIBERY HAS
THREATENED TO TURN INTO A GOVERNMENT CRISIS. WHEN
MINISTER PRESIDENT KUEHN, IN A PUBLIC HEARING IN THE
LANDTAG CONFESSED PRIOR KNOWLEDGE IN THE POUILLAIN CASE,
WHICH HE HAD PREVIOUSLY DENIED, THE CDU OPPOSITION
DEMANDED HIS AND HIS FINANCE MINISTER
HALSTENBERG'S RESIGNATION. THE GENEROUS TERMS OF
POUILLAIN'S SEPARATION, INADEQUATE GOVERNMENT CONTROL
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PAGE 02 DUSSEL 00088 01 OF 02 131719Z

AND PREVENTIVE ACTION PLUS A POLICY OF PIECEMEAL
INFORMATION AND ADMISSIONS, IRRITATED ALL FACTIONS OF
THE NRW LANDTAG. IT IS NOT EXPECTED THAT KUEHN WILL
RESIGN AT THIS TIME AND HE HAS REJECTED A RESIGNATION
OFFER OF HIS FINANCE MINISTER, BUT A RESIGNATION PRIOR
TO THE EXPIRATION OF HIS TERM IN 1980 IS NOT ENTIRELY
IMPOSSIBLE. AS FAR AS POUILLAIN IS CONCERNED, HIS CASE

MAY NOT EVEN BE BROUGHT TO TRIAL BECAUSE OF LACK OF
SUBSTANTIAL EVIDENCE. END SUMMARY.

2. IN A JOINT PUBLIC SESSION OF THE STEERING AND
FISCAL AND BUDGET COMMITTEES OF THE NORTHRHINE-
WESTPHALIAN LANDTAG (NRW) MINISTER PRESIDENT HEINZ
KUEHN (SPD) ADMITTED THAT AS EARLY AS NOVEMBER 9, 1977
HE HAD BEEN INFORMED BY JUSTICE MINISTER DR. DIETHER
POSSER (SPD) THAT LUDWIG POUILLAIN, THEN GENERAL
MANAGER OF THE WESTDEUTSCHE LANDESBANK (WLB), WAS
UNDER INVESTIGATION BECAUSE OF HIS ACCEPTANCE OF
DM 1 MILLION IN CASH FROM A FINANCIER AND DEBTOR OF
THE WLB WHO WAS IN BANKRUPTCY. POSSER ALLEGEDLY ADVISED
KUEHN THAT BECAUSE OF THE SENSITIVE POSITION OF BANKS
HE SHOULD TREAT THE MATTER WITH DISCRETION, ESPECIALLY
SINCE THE INVESTIGATIONS MIGHT LEAD TO NOTHING, AND
THAT HE MIGHT AS WELL FORGET THE MATTER.
KUEHN'S STATEMENT CAME AS A SURPRISE BECAUSE IN A
PRESS CONFERENCE ON JAN 6, 1978 HE DENIED ANY
KNOWLEDGE OF "THE POUILLAIN AFFAIR". KUEHN, SUPPORTED
BY POSSER, DECLARED THAT AFTERWARDS HE HAD BEEN
REMINDING BY THE LATTER OF THE CASUAL INFORMATION
IMPARTED ON NOVEMBER 9, 1977.

3. IN A PRESS CONFERENCE AFTER THE SESSION
HEINRICH KOEPLER, OPPOSITION LEADER IN THE LANDTAG,
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PAGE 03 DUSSEL 00088 01 OF 02 131719Z

DEMANDED KUEHN'S RESIGNATION FOR EITHER HAVING DECEIVED
THE PUBLIC OR FOR HAVING AGAIN DEMONSTRATED HIS SENILITY.
KOEPLER ALSO DEMANDED THE DISMISSAL OF FINANCE
MINISTER HALSTENBERG, WHO WAS HELD CHIEFLY RESPONSIBLE
AS MEMBER OF THE BOARD OF DIRECTORS (VERWALTUNGSRAT) OF
THE WLB. THE CDU WILL DISCUSS FURTHER STEPS ON
JANUARY 17, 1978.

4. THE SPD AND FDP COALITION FACTIONS ARE BY NO MEANS
HAPPY WITH THE CLUSMY WAY AND THE PIECEMEAL PUBLICITY
WITH WHICH THE GOVERNMENT HAS TREATED THE POUILLAIN
AFFAIR. HOWEVER, THE SHARP CDU ATTACK AGAINST KUEHN WILL
PROBABLY RALLY THEM ONCE MORE BEHIND THE COALITION
GOVERNMENT. HALSTENBERG OFFERED HIS RESIGNATION IN THE
EVENING OF JANUARY 12 BUT KUEHN TOLD HALSTENBERG
THAT HE WAS STILL NEEDED.

5. BACKGROUND OF THE POUILLAIN AFFAIR: IN JULY 1977
NRW JUSTICE MINISTER POSSER WAS INFORMED BY THE
PROSECUTING ATTORNEY GENEAL AT THE STATE SUPREME
COURT IN HAMM THAT AN INVESTIGATION WAS PENDING
AGAINST POUILLAIN, INVOLVING SUSPECTED TAX EVASION AND

BRIBERY. THE CASE WAS SUBSEQUENTLY TAKEN
OVER BY THE PROSECUTING ATTORNEY IN BIELEFELD
(COMPETENT FOR CASES INVOLVING ECONOMIC CRIMES). THE
CHARGES WERE BASED ON A RECEIPT FOR DM 1 MILLION
COLLECTED IN CASH AND SIGNED BY POULLAIN. THE EVIDENCE
WAS ACCIDENTLY DISCOVERED IN THE COURSE OF AN
INVESTIGATION IN A BANKRUPTCY CASE AGAINST A FINANCE
BROKER, WHO HAD RECEIVED CREDITS AND GUARANTEES FROM
THE WLB. THE RECEIPT ALLUDED TO AN CONSULTANCY CONTRACT
WHICH POULLAIN HAD WITH THE BROKER AND THE MONEY
COLLECTED WAS POULLAIN'S FEE. ON OCTOBER 10, 1977
THE NRW MINISTRY OF FINANCE WAS INFORMED BY THE
PROSECUTION BUT ON FURTHER EXAMINATION IT WAS
DETERMINED THAT THERE WAS NO CASE FOR A TAX EVASION.
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 DUSSEL 00088 01 OF 02 131719Z

UNCLASSIFIED

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PAGE 01 DUSSEL 00088 02 OF 02 131726Z
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UNCLAS SECTION 2 OF 2 DUSSELDORF 0088

6. FOUR OTHER NRW CABINET MEMBERS, WHO TOGETHER WITH

HALSTENBERG ARE MEMBERS OF THE BOARD OF THE WLB, HAD NO INFORMATION ABOUT THE SUSPICION AGAINST POUILLAIN. ON DECEMBER 2, 1977 THE BOARD'S EXECUTIVE COMMITTEE DECIDED TO EXTEND POUILLAIN'S WORKING CONTRACT BY ANOTHER 5 YEARS, TOGETHER WITH A SUBSTANTIAL PAY INCREASE. HALSTENBERG MADE A FEEBLE ATTEMPT TO OBTAIN A POSTPONEMENT OF THE DECISION BUT WAS OUTVOTED. ON DECEMBER 6, POSSER INFORMED THE CABINET ABOUT THE INVESTIGATION PENDING AGAINST POUILLAIN AND SUPPLEMENTED THIS INFORMATION ON DECEMBER 13. ON DECEMBER 22 POUILLAIN, WHILE PLEADING INNOCENCE, AGREED TO RESIGN UNDER VERY GENEROUS TERMS AGREED TO BY THE EXECUTIVE COMMITTEE: HIS PENSION OF DM 225,000 P.A. AND HIS SALARY FOR 5 YEARS OR A TOTAL OF DM 2 MILLION. POUILLAIN HAD DEMANDED UNCLASSIFIED

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PAGE 02 DUSSEL 00088 02 OF 02 131726Z

DM 3 MILLION PLUS THE PENSION.

7. IT WAS THIS SETTLEMENT IN PARTICULAR PLUS THE SCANTY INFORMATION IT RECEIVED FROM HALSTENBERG, WHICH IRRITATED ALL PARTIES IN THE PARLIAMENT TO THE EXTENT THAT A PUBLIC HEARING WAS DEMANDED. DCU AND SPD, THE LATTER SUPPORTED BY KUEHN, DEMANDED THAT THE SEPARATION CONTRACT WITH POUILLAIN BE RESCINDED AND THAT POUILLAIN BE DISMISSED. ONLY THE FPD PREFERRED TO ENDORSE THE SETTLEMENT TO AVOID LONG-WINDED LEGAL ENTANGLEMENTS WITH AN UNCERTAIN OUTCOME. THE BOARD OF THE WLB WILL DECIDE ON THIS ON JANUARY 16, 1978.

8. COMMENTS: IT IS NOT EXPECTED THAT THE KUEHN GOVERNMENT WILL BE OVERTHROWN OVER THIS AFFAIR ALTHOUGH THE OPINION OF THE MEDIA IS STRONGLY AGAINST HIM AND HALSTENBERG. HOWEVER, HIS POSITION HAS WEAKENED AND IT IS POSSIBLE THAT AT A LATER DATE, AFTER THE DUST HAS SETTLED, AND SOONER THAN CONTEMPLATED, KUEHN WILL RESIGN. ONE OF HIS POTENTIAL SUCCESSORS, MINISTER OF SCIENCE AND RESEARCH JOHANNES RAU WHO WAS NOT IN ANY WAY INVOLVED, SEEMS TO BE PREPARING TO TAKE OVER THE REINS DROPPED BY KUEHN. AS FOR THE POUILLAIN AFFAIR, IT IS LIKELY THAT THE PROSECUTION WILL DROP THE CASE BECAUSE OF LACK OF SUBSTANTIAL EVIDENCE AGAINST POUILLAIN OR BECAUSE OF THE STATUTE OF LIMITATIONS MAY HAVE RUN. DUX

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